

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/17):
BUTTER: Grade AA closed at \$2.0900. The weekly average for Grade AA is \$2.0633 (+.0566).

CHEESE: Barrels closed at \$1.6300 and blocks at \$1.7200. The weekly average for barrels is \$1.6395 (+.0210) and blocks, \$1.7200 (+.0400).

NONFAT DRY MILK: Extra Grade closed at \$0.9900 and Grade A closed at \$1.0000. The weekly average for Extra Grade is \$0.9900 (N.C.) and Grade A, \$1.0000 (N.C.).

BUTTER: Butter markets remain firm. The CME cash price, over \$2.00 per pound, is comparable to levels during the fall of 1998 at which time the AA butter price peaked at \$2.81 in September. Many producers and handlers continue to question where the cash price is headed or will be during the fall of this year. Although many state that prices have been higher than desired for most of the summer, most feel that they will remain firm for fall. Stocks vary from lighter than desired to in close balance. Western butter continues to move across country to supplement Midwestern and Eastern shortages. Churning schedules are somewhat lighter as milk production declines and demand for milk for school bottling programs increases. Butter demand is fair. Retail orders are basically being placed for replacement needs, while food service orders are mixed, depending on inventories and projected needs as the summer vacation season nears an end.

CHEESE: The cheese market is generally firm. Current demand is steady to improved, especially where preparations for fall needs and/or feature activity. Current cheese offerings are tighter as cheese production declines seasonally. Some plant operators are having problems filling orders and others have increased the lead time needed on orders. Cheese and milk production has only shown minimal recovery from recent heat stressed levels. Also, the reopening of schools is reducing milk volumes available for manufacturing.

FLUID MILK: Milk production throughout the Eastern U.S. is being affected by a break in the hotter, humid weather of last week. However, milk volumes, fat and protein tests continue to decline. Milk supplies are tightest in the Southeast where 282 spot loads of milk were shipped in this week to supplement local supplies. School openings are beginning across the region and fluid orders are being placed. Cooler and less humid temperatures returned to the upper Midwest. Milk intakes are slow to recover from 10 to 20% declines from the previous week. Many processors would like extra milk and are paying well over class prices for needs. Milk production is slightly lower across California and trending seasonally lower in Arizona. Output is slower in the Northwest and Mountain States where summer weather patterns persist.

DRY PRODUCTS: Nonfat dry milk prices are mostly steady after adjusting last week. Less NDM is clearing to the CCC each week as production declines and movements are good for domestic and export accounts. Dry buttermilk prospects are not aggressive at current market prices and current activity is often centered on contracted amounts. Whey prices are occasionally lower in the Central and West regions, but production schedules are trending lower. Hot conditions are also creating drying problems at plants. The WPC market is unsettled. Prices are mostly unchanged, but the market test is thin.

The trade is watching the volumes and pricing levels of the CCC sellback of feed NDM. Lactose prices are holding steady. Domestic sales are good, but contacts are noting export pricing levels may place a downward pressure on U.S. pricing.

CCC: During the week of August 13 - 17, CCC net purchases totaled 1,547,066 pounds of nonfortified NDM from the West.

NOTICE: The CCC has decided to sell its inventory of aged blocks and barrels on a competitive offer basis. The CCC anticipates the invitation to be issued the week of August 27. All sales will be made under the terms and conditions of Announcement DSC1 are for unrestricted use on a competitive offer basis. The new announcement (effective August 17) is available at: <http://www.fsa.usda.gov/daco/Announcement/Dairy/dairyannon.htm>

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for September 2001 is \$15.56. This price is derived from the advanced Class III skim milk pricing factor of \$7.99 and the advanced butterfat pricing factor of \$2.2432 per pound. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for September is \$7.94 and the Class II nonfat solids price is \$0.8822 per pound. The following are the two-week product price averages: butter \$1.9544, nonfat dry milk \$0.9445, cheese \$1.6696, and dry whey \$0.2871.

AUGUST MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production growth continues to be hampered by slow recovery in milk per cow and the lack of available heifers to expand dairy herds. However, high milk prices are expected to slow the rate of decline in cow numbers in 2001/02. Thus, although milk production forecast for 2000/01 is little changed from last month, the production forecast for 2001/02 is increased slightly. Milk production likely will remain below year-earlier levels through the end of 2000/01 but is forecast to increase about 3% in 2001/02. Continued tight milk supplies are expected to provide additional support to prices but weak nonfat dry milk prices have been pressuring Class IV prices.

JUNE FLUID MILK SALES (AMS, CDFA): During June, about 4.1 billion pounds of packaged fluid milk products were sold in Federal milk order marketing areas and California. This was 0.1% higher than June 2000. On an individual product basis, sales of reduced fat (2%) milk and low fat (1%) milk increased from June 2000, while sales of whole milk, fat-free (skim) milk and buttermilk decreased from a year earlier. The data for both years have been adjusted for calendar composition.

JULY MILK PRODUCTION (NASS): Milk production in the 20 major States during July totaled 12.1 billion pounds, down 1.2% from July 2000. June revised production, at 12.1 billion pounds, was down 0.2% from June 2000. The June revision represented an increase of 0.3% or 34 million pounds from last month's preliminary production estimate. Production per cow averaged 1,555 pounds for July, 6 pounds below July 2000. The number of cows on farms was 7.75 million head, 72,000 head less than July 2000, but unchanged from June 2001.

******SPECIALS THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY AUGUST 13	TUESDAY AUGUST 14	WEDNESDAY AUGUST 15	THURSDAY AUGUST 16	FRIDAY AUGUST 17	WEEKLY CHANGE*	WEEKLY AVERAGE
CHEESE							
BARRELS	\$1.6500 (N.C.)	\$1.6400 (-.0100)	\$1.6400 (N.C.)	\$1.6375 (-.0025)	\$1.6300 (-.0075)	-.0200	\$1.6395 (+.0210)
40# BLOCKS	\$1.7200 (N.C.)	\$1.7200 (N.C.)	\$1.7200 (N.C.)	\$1.7200 (N.C.)	\$1.7200 (N.C.)	N.C.	\$1.7200 (+.0400)
BUTTER							
GRADE AA	\$2.0500 (+.0400)	-----	\$2.0500 (N.C.)	-----	\$2.0900 (+.0400)	+.0800	\$2.0633 (+.0566)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.9900 and Grade A price is \$1.0000. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 13, 2001

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.6600, 1 @ \$1.6400, 1 @ \$1.6500; 2 CARS 40# BLOCKS @ \$1.7200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.6550

BUTTER -- SALES: 9 CARS: 1 @ \$2.0075, 2 @ \$2.0100, 1 @ \$2.0200, 1 @ \$2.0225, 1 @ \$2.0250, 1 @ \$2.0300, 1 @ \$2.0400, 1 @ \$2.0500; BIDS UNFILLED: 1 CAR @ \$1.9100; OFFERS UNCOVERED: 2 CARS: 1 @ \$2.0500, 1 @ \$2.1000

TUESDAY, AUGUST 14, 2001

CHEESE -- SALES: 3 CARS 40# BLOCKS: 2 @ \$1.7150, 1 @ \$1.7200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS BARRELS: 1 @ \$1.6400, 3 @ \$1.6500

WEDNESDAY, AUGUST 15, 2001

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.6350, 2 @ \$1.6400; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.6400
BUTTER -- SALES: NONE; BIDS UNFILLED: 2 CARS @ \$2.0400; OFFERS UNCOVERED: NONE

THURSDAY, AUGUST 16, 2001

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.6375, 1 @ \$1.6400

FRIDAY, AUGUST 17, 2001

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.6300, 1 @ \$1.6375; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS BARRELS: 1 @ \$1.6300, 3 @ \$1.6400

BUTTER -- SALES: 9 CARS: 3 @ \$2.0500, 1 @ \$2.0450, 1 @ \$2.0500, 1 @ \$2.0600, 2 @ \$2.0850, 1 @ \$2.0900; BIDS UNFILLED: 7 CARS: 1 @ \$2.0900, 1 @ \$2.0850, 2 @ \$2.0500, 1 @ \$2.0475, 1 @ \$2.0450, 1 @ \$1.9150; OFFERS UNCOVERED: 1 CAR @ \$2.1200

BUTTER MARKETS**NORTHEAST**

The market tone remains unsettled and prices are moving higher. The price of butter at the CME is now above \$2.00 and contacts still wonder how high it will go. Churning activity is light in the East as butter makers sell their cream and used inventoried stocks to fill print orders. Some makers think that it may be a little risky to make and store "\$2.00 butter," most opt to sell cream based on current butter market prices. Also, some producers have bulk under contract coming in from Western producers and these stocks should carry them through fall. Some excess cream is moving to Midwest churning facilities, but volumes are easing as milk supplies tighten. Retail orders are slow at best. High retail prices in most Eastern cities continue to effect consumption. Food service orders are holding, but the end of the vacation season is fast approaching and orders for September are off accordingly. Sales of bulk butter, f.o.b. East, are reported in a range of 3.5 – 8.0 cents over the CME price/average.

CENTRAL

Butter markets remain firm. The cash price at the Chicago Mercantile Exchange is the highest it has been since November 1998, but about 10 cents lower than the comparable time in August of that year. The AA cash price reached \$2.81 in early September 1998 and held above \$2.00 until early November. Most producers and handlers continue to question where prices will be during the balance of this calendar year. Most feel that prices will remain firm during this time period. Stock

levels continue to receive mixed opinions. Some producers are comfortable with current stocks while others continue to build inventories with surplus production and offerings. Some Midwestern producers are taking advantage of additional cream offerings from outside sources. Current butter demand is seasonally fair. Retail sales are not overly aggressive with food service orders seasonally active. Food service orders vary as buyers for resort and vacation areas closely monitor their stocks as the summer vacation season nears an end. When available, bulk butter for spot sale is selling in a price range of 3 – 5 cents per pound over various pricing bases.

WEST

The butter market continues to move higher at the CME and was \$2.05 on August 15. The return of pricing over the \$2 mark and the "marked expectations" of traditional increases to the market price in the fall of the year would expect to see unbridle optimism from butter producers. In reality, producers seem content to keep butter stocks limited and to sell cream at profit. Retail demand is noted to be lighter than expected as higher retail prices are curtailing consumption. Food service orders remain good. CME weekly butter stocks declined by 4.83 million pounds for the current week and now stand at 64.9 million pounds. The decline is the highest weekly drop this year. Current prices for bulk butter range from 3.5 cents under to flat market based on the CME with various time frames and averages involved.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
AUGUST 11	1.6649 5,961,057	1.6443 8,019,776	0.9404 22,797,478	1.9640 3,087,029	0.2866 10,402,700	2.4618 2,051,001	2.4963 4,562,510

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mixed; process prices are lower while prices for natural items moved higher. There is some strength in the national market as milk supplies tighten and cheese output slows. In the East, cheese production is lighter as milk supplies are tighter and most operations are adjusting operating schedules. Some plants are looking for more condensed skim and/or NDM to supplement fluid milk volumes and yields. Demand for natural items is little changed, but producers and distributors are preparing for improved orders now that schools are reopening and home dining and shopping habits get back to normal. Process and mozzarella orders are good. Food service orders are steady, but the "end of summer" is less than a month away and distributors expect to see orders from resort areas move lower, if they haven't already done so.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.7250-2.1950
Cheddar Single Daisies	:	1.6825-2.1425
Cheddar 40# Block	:	1.8200-2.0025
Process 5# Loaf	:	1.8275-1.9900
Process 5# Sliced	:	1.8475-2.1075
Muenster	:	1.8850-2.0925
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is firm. Between recent sizeable declines in milk production (often 10 - 20% in the past week or so), low cheese yields, and the usual diversion of milk to Class I use as schools reopen, cheese production has declined sharply at many locations. Spot interest is somewhat improved and plant inventories have declined. Process demand is steady to improved with natural, particularly mozzarella, showing additional strength. Shred demand remains steady at generally good levels. Current cheese offerings are tightening fast as plant operators try to maximize returns, including diverting milk to some varieties at the expense of others. A few plant operators are cutting orders and/or allocating supplies between customers. The lead time on orders is also increasing at some locations. At least some of the recent weakness in the cash barrel price at the Chicago Mercantile Exchange is reportedly due to potential buyer difficulty/problems in handling cheese packaged in steel barrels.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.8375-2.0400
Brick And/Or Muenster 5#	:	1.9900-2.2750
Cheddar 40# Block	:	1.9800-2.1150
Monterey Jack 10#	:	2.1400-2.3025
Blue 5#	:	2.4200-2.6300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0200-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	AUGUST 13 - 17, 2001
BARRELS*	:	\$1.6275 - 1.6500 (NOMINAL)
	:	(\$.0300) (.0050)
40# BLOCKS	:	\$1.7000 - 1.7200 (NOMINAL)
	:	(\$.0300) (.0150)

() Change from previous week. * If steel, barrel returned.

WEST

Price fluctuations are lower for process items while block items are higher, reflecting changing levels at the CME. Contacts are stating that block cheese is moving well, while barrel demand is slightly below that. There are more offerings of undergrades on the market, but how much these offerings will affect the cash cheese market is debatable. Cheese production is holding seasonally steady, although some producers are pleased that milk intakes are lower due to weather. Processors like current pricing levels and are attempting to keep inventory levels in balance by selling milk and shifting production. Mozzarella demand is showing improvements and offerings are more readily absorbed. Swiss sales are fair to good for the season and production is being monitored to keep stocks aligned.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7700-2.0300
Cheddar 40# Block	:	1.8000-1.9625
Cheddar 10# Cuts	:	1.9800-2.2000
Monterey Jack 10#	:	1.9900-2.1500
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.5400

FOREIGN

Prices for domestic styles and types are higher with the balance unchanged. The market tone is improving as the traditional end of summer is fast approaching as home consumption "gets back to normal." Demand for imported cheese is about steady. With the CME cheese prices well above year-ago levels, importers continue to bring in cheese for processing. However, not all varieties are available in desired volumes. Cheese output in the EU is increasing as internal demand is improving in most European countries.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 2.0275-3.5225*
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.5950*
Parmesan (Italy)	: TFEWR	: 3.4425-3.4975*
Romano (Italy)	: 2.1000-2.9900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 2.0350-2.2550*
Romano (Cows Milk)	: -0-	: 3.2175-5.3950*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.5900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9500	: -0-
Gouda, Large	: 2.3900-2.6800	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER	:	CHEESE
08/13/01	41,355	: 130,019
08/01/01	43,592	: 130,979
CHANGE	-2,237	: -960
% CHANGE	-5	: -1

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	116	0	4	0	66	0
SOUTHEAST STATES	166	0	140	0	107	0

Regional Milk Market Administrators announced the following, July 2001 uniform prices: Northeast \$17.21 (record high), Mideast \$16.24, Southeast \$17.54, Florida \$18.88, and Western New York (a state order) \$16.70 at the base cities/counties in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) The heat wave has broken, but its effects are still being felt. Fat and protein tests on incoming milk remain low. Handlers report that off-farm tankers are coming in "half full." It is not uncommon for processors to run out of milk early in their runs. Early this week, one manufacturing operation expected to run until noon, but had to shut down before 9:00 a.m. because milk receipts were that light. This trend seems to be prevalent throughout the East. Milk supplies in the Southeast are very tight and handlers are bringing in increasing volumes of milk to supplement local supplies. Schools are reopening in much of the Southeast and the growing demand for Class I milk is straining milk procurement and transportation schedules. This is the first week of heavy purchases and the normal "kinks" have to be worked out with regard to logistics and timing. Milk is coming from the Northeast, Upper Midwest, and Southwest and handlers are looking for more. More schools will be opening during the next two weeks and the need for milk will increase. Although this pattern happens every year, the recent heat wave and loss of milk production tends to amplify the shortages. Bottled milk sales in the Northeast are just fair as school re-openings usually occur after Labor Day. With the increasing demand for bottled milk, surplus milk volumes are lighter and manufacturing plants have less milk to process. The condensed skim market is strong. Producers report an improving demand and shipments to the Southeast and Midwest are more common. Prices for Class II condensed skim are steady to lower while Class III prices moved higher. Cheese makers are looking for more solids to fortify or supplement their own milk supplies. The fluid cream market is also firm. Prices are moving higher as both the CME butter price and multiples are increased. Demand is good, but some suppliers do note that spot sales to ice cream makers appear to have slowed since the prices reached such high levels. Ice cream makers are operating at seasonally heavy levels, but often increasing output of low-fat ice cream, sherbet, sorbets, or ices to temper their need for cream. Cream cheese production is about steady. Churning activity in the East is limited.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.6087-2.7692
DELIVERED EQUIVALENT ATLANTA	-	2.5886-2.7692 M 2.6488-2.7090
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.6689-2.7692

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0500-1.1100
NORTHEAST- CLASS III - SPOT PRICES	- 1.0000-1.0800

M I D W E S T

Cooler, more comfortable and seasonal temperatures and humidity levels finally returned to the upper Midwest. Plant milk intakes have rebounded from recent heat-stressed levels, though currently the bounce is far short of the recent 10 - 20% week to week declines reported by many milk handlers. Milk supplies are well short of desired levels for both manufacturing and bottling use. Milk buyers are not able to source additional volumes, even at current premiums, as buyers scour the countryside for additional volumes. Milk premiums have increased with Class I prices reported at \$4.00 - 6.00 over class

and for manufacturing not enough sales to report but in about the same range. Handlers are not looking for supplies to loosen soon. Fat and protein tests remain low for summer as are manufactured product yields. Manufacturing plant schedules are seasonally light with some producers cutting back orders and/or increasing lead times due to current milk volumes. Milk supplies may tighten further as additional area bottlers gear up for the reopening of area schools. Milk volumes, combining for around 25 loads per day, from Iowa, Minnesota, Michigan, South Dakota, and Wisconsin are moving interstate. These loads are headed to Missouri, Indiana, Ohio, Nebraska, along with Florida, Georgia and the Carolinas. Reportedly, very few of these shipments are just to take advantage of differences in order pool prices. Cream demand remains strong, aided by good ice cream and whipped cream sales. Supplemental volumes of cream continue to be imported from other areas of the country. Good interest is reported in condensed skim and NDM to extend manufacturing milk volumes. Class II condensed skim is reported at \$1.09 - 1.17. Dry conditions continue to persist over much of the region. Some corn is reportedly already being chopped, and silos filled, in Michigan due to dry stalks. Late hay cuttings are often short.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 9 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 43.00- 48.00	\$ 38.00- 42.50
REPLACEMENT HEIFER CALVES	\$430.00-575.00	\$280.00-360.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUGUST 9 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.50- 50.50	\$ 36.00- 49.50

W E S T

The September Class 1 prices in California range from \$17.11 in the north to \$17.38 in the south. The statewide average Class 1 price based on production is \$17.16. The average is 6 cents higher than August and \$3.27 higher than September 2000. Milk production is steady to a few percentage points lower across California. The recent temperature increases and fluctuations are also impacting milk solids and fat. There are hot conditions throughout the state, but these are normal for mid August. August is typically at a low point in the milk production cycle. Hay prices continue to increase in the state. Hot weather is limiting the amount of tested hay being harvested and buyers are looking at other sources for dairy quality hay. Power conditions remain a non-issue in the state, as supplies are adequate for all needs. Conditions in New Mexico are generally favorable for milk production for this time of year. Milk output is holding mostly steady with some fluctuations in load weights occurring. Arizona milk production is trending seasonally lower at levels less than a year ago. Daytime temperatures continue to reach over 100 degrees and hot conditions remain overnight. This is affecting cows and production. Western cream multiples range from 124 to 135 FOB. Cream is moving fairly well and butter producers continue to sell cream instead of making butter. Finding available tankers is said to be a problem. Cheese makers are using condensed skim to standardize/fortify vats. Temperatures remain hot and dry in the Pacific Northwest and continue to cause seasonal impacts on the milk supply. Milk intakes are steady to lower within the region and noted as better where the climate is more moderate. Prices remain high for good quality dairy hay. Exporter interest is creating competition for available product. In the Mountain States, milk production levels are declining as seasonal hot and dry condition returned after a few days of relief. Cheese producers in the region want to keep production and orders balanced at current pricing levels. Replacement animal prices continue to be very high. This is actually causing some milk producers to scale back or delay expansion plans. The dry conditions and lack of water for irrigation is limiting the volume and quality of available hay.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 0816/01 and represent FOB Central and Western production areas. Prices represent CL/TL quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are unchanged to lower on an unsettled market. While the milk supply is tightening, some plants reduced their prices in order to remain competitive with Western supplies. However, at other plants, supplies are short of contractual needs, encouraging Western NDM purchases. Production is very light as many locations cease production in order to satisfy fluid demands into bottling facilities. Some plants do not anticipate any output until November. Demand is fair to good with cheese and brokerage firms expressing the best interest. Condensed skim supplies are lower with some plants reconstituting NDM to satisfy commitments. High heat movement is generally steady on a contractual basis.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9600 - 1.0250 MOSTLY: .9600 - .9750

DRY BUTTERMILK - CENTRAL

Prices are unchanged to lower and nominal on a steady to weak market. While production has ceased at many locations, inventories of product remain available. Product from February is reportedly being traded below \$1 FOB. Western aged supplies remain competitive at prices as low as \$1 delivered. Demand is mostly light with most buttermilk clearing well in the condensed form. Condensed buttermilk production is very light as cream supplies tighten and fluid milk is diverted to bottling and cheese rather than butter plants. Production of dry buttermilk is not anticipated to significantly increase until November.

BUTTERMILK: 1.0200 - 1.0875

DRY WHEY - CENTRAL

Prices are mixed and the market remains unsettled. Some manufacturer sales are being reported at lower prices due to kosher status and in order to be competitive with international markets. Most producer supplies are tight while resellers hold excess stocks to clear. Because of the current higher priced market, resellers are hesitant to hold supplies with confidence and are often clearing stocks at a slight discount. However, due to the recent hot and humid weather and school openings, whey production is down with some firms unable to satisfy contractual commitments. In addition, the solids content in milk is lower and off grade production is higher, further decreasing potential and current whey output. Demand is light to fair with many buyers steering clear of the market until a better market direction is derived.

NONHYGROSCOPIC: .2400 - .3125 MOSTLY: .2900 - .2975

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a generally steady market. While milk replacer supplies increased during the hot and humid weather, sales are only fair at best. Some plants are reportedly heavy with stocks and substantial discounts are available on multiple loads. However, for single loads, prices are generally unchanged with some plants offering at prices near the Extra Grade average. Feed buyers are resistant to higher prices and often opting to search for competitive feed grade lactose or permeate. Roller ground production and movement are unchanged. Delactose supplies are tight with some producers shorting contractual loads in response to lower production schedules during the hot and humid weather.

MILK REPLACER: .2300 - .2500
ROLLER GROUND: .2800 - .3000
DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a mostly steady to firm market. Manufacturer supplies are generally tight while reseller stocks are sometimes building, especially as resistance builds on export markets. Some traders suspect that the lactose market will need to adjust lower in order for more lactose to clear into exports. However, from the producer perspective, milk volumes and milk solids content are lower. Therefore, lactose supplies are not anticipated to increase, encouraging a steady market at least into the fourth quarter. Inquiries are being noted from Asia on the lower mesh sizes as well as 200 mesh. Some confectionary demand is also being reported for the holiday season. Feed interest is good, especially on the off grade.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1800 - .2700 MOSTLY: .1950 - .2200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are mixed and the market tone is unsettled. While prices into the feed sector are trending lower, food premiums are higher. Spot trading is extremely light. Many buyers and traders remain inactive in the market as they await market changes in response to the CCC sell back. However, because of the lack of activity, the market is not moving as expected and the trade is at an impasse. Offering prices are noted lower at some locations yet at other plants, contractual commitments are being shorted due in part to lower milk supplies in the hot and humid weather. Production of 80% and isolates continues strong for the good demand. Off grade supplies are available and clearing well into feed facilities.

EXTRA GRADE 34% PROTEIN: .7400 - .8200 MOSTLY: .7650 - .7950

NONFAT DRY MILK - WEST

Low/medium heat NDM prices are unchanged following a general higher trend last week. Producers raised prices after clearing NDM and getting inventories in better positions. However, some producers are noting that buyers are resisting higher prices. Pricing levels are highly varied and pricing indexes are still showing lower trends. Production is often lighter as milk output declines in the region and solids content of milk is lower. NDM and condensed skim continue to move to cheese plants for standardizing/fortifying. Exporting of prior contracted NDM is moving well. There is no news on the DEIP program. Sales to the CCC remain light this week. During the week of August 6 - 10, CCC net purchases totaled 0.9 million pounds. High heat prices are mostly steady. Buying interest is fair to good. Production levels are mixed with most production only made to order.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .9000 - 1.0250 MOSTLY: .9400 - .9500
HIGH HEAT: .9700 - 1.0300

DRY BUTTERMILK - WEST

Dry buttermilk prices are showing little change this week following declines last week. The market tone remains weak. Drying schedules are often being reduced where less butter is being manufactured. There are more concerns over the spread between dry buttermilk and NDM. Seasonal usage in ice cream production is trending lower. Availability on the spot market is fair to good, but not available from all producers. Some producers are contracted out for the near term. Additional product is available from resellers at competitive pricing levels. Stocks range from light to moderate and are in excess of current needs.

BUTTERMILK: 1.0000 - 1.0600 MOSTLY: 1.0300 - 1.0400

DRY WHEY - WEST

Whey prices are mixed on the range, but the mostly is holding steady. Spot offerings are generally limited from Western producers. Some manufacturers are still catching up from equipment and production problems over the last several weeks. There are buyers that are being shorted loads during this time. Export interest is fair to good and more loads are moving this week. Feed buyers are not active and several want to push back or cancel contracted loads. Whey stocks are noted as light and manageable.

NONHYGROSCOPIC: .2500 - .2900 MOSTLY: .2700 - .2750

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
August 10	\$.9213	14,038,747
August 3	\$.9262	20,446,130

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities for domestic and export sales in 25 kg. or 50 lb. bags, and totes, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady and remain nominal in the Northeast. Production of NDM in the East continues to fall as milk supplies tighten and the demand for condensed skim improves. Producers and traders, alike, report a very good demand for wet solids and loads are being shipped to the Southeast and Upper Midwest to meet demand. This good demand for condensed skim is leaving little to be dried. Most Eastern dryers are operating on lighter schedules, if they are drying at all. Plant stocks are light and easily managed. There were reports that some plants are nearly out of uncommitted powder. High heat NDM seems to be in the tightest supply position at this time. Demand for NDM is steady. However, some cheese makers are showing renewed interest in dry solids now that condensed skim prices are often above NDM. So far this week (through 8/15), offers of Western NDM to CCC are quite a bit lower than past weeks.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: .9825 - 1.0200 MOSTLY: .9850 - 1.0000
HIGH HEAT: 1.0000 - 1.0350 MOSTLY: 1.0150 - 1.0300

DELVD SOUTHEAST:

ALL HEATS: .9900 - 1.0900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. The Northeast prices remain nominal. Production levels are light and availability is limited. There are few spot sales being reported as most producers barely have enough powder to fill contracts. Some LTL sales are noted, but most buyers are delaying purchases as long as they can now that NDM is generally less expensive than dry buttermilk.

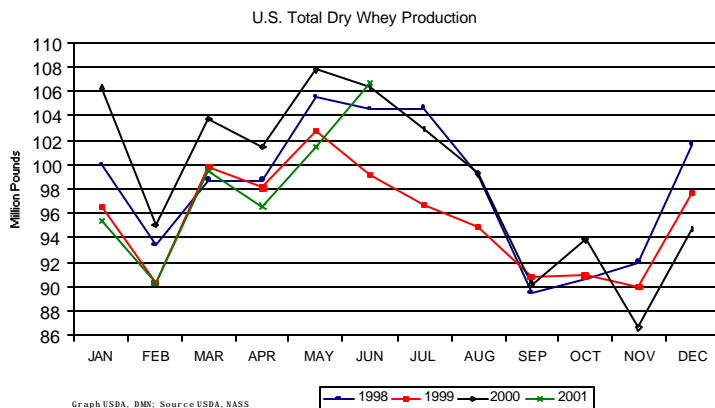
F.O.B. NORTHEAST: 1.0450 - 1.0600

DELVD SOUTHEAST: 1.0700 - 1.0950

DRY WHOLE MILK - NATIONAL

Prices are steady to lower and nominal. However, the CME butter price has been increasing recently and some producers expect to adjust their dry whole milk prices higher to reflect the higher fat values. Production remains light and geared to meeting orders. Demand is slow to fair and generally to meet contracts. Spot interest is just fair.

F.O.B. PRODUCING PLANT: 1.4100 - 1.5900



DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are generally unchanged and the market tone continues to be unsettled. Demand is lackluster at best, which tends to shed a weak market tone on the market. Some customers are delaying product pick-ups because they have too much on hand or they are hoping for prices to move lower. Conversely, milk supplies are tightening rather rapidly and production levels are lower at most Eastern plants. Most producers in the East are operating on reduced schedules and trying to catch up with existing orders. This tends to shed a firming trend to the market. Eastern producers report little dry whey available for spot sale. Most spot demand is being filled via resale channels. However, some traders note that their inventories, going into fall, are lighter than previous years. Demand from animal feed makes/users remains slow at best. Offerings of "off grade" product are moderate to heavy, but the break in temperatures has helped dryer efficiencies.

F.O.B. NORTHEAST: EXTRA GRADE .2950 - .3000

USPH GRADE A .2900 - .3100

DELVD SOUTHEAST: .3175 - .3375

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are lighter as surplus milk supplies tighten seasonally. Demand is generally steady, but approaching the time when orders improve for fourth quarter sales. Producer stocks are adequate to cover current needs. The Kansas City Commodity office announced the issuance of EVD-1, invitation 680 inviting competitive offers to sell to CCC 5,728,320 pounds of evaporated milk for delivery October - December 2001. Offers are due by 11:00 a.m. CDT, August 20, 2001.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets and prices remain firm. Importers are talking with customers about their yearend needs with some conversations also including first quarter 2002 needs. At this point, most producers and handlers feel that they will be able to meet customer needs. European production is somewhat stronger than previously projected and the Oceania region is just starting their new production season. It is still too early to fully project what stocks will be out of Oceania, but traders are anticipating at least stocks to be at least at last year levels.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.5000 - 2.7300

ACID: 2.5500 - 2.6500

CHICAGO MERCANTILE EXCHANGE FUTURESSelected settling prices, (open interest), and volume 1/

Month	08/01	08/02	08/03	08/06	08/07	08/08	08/09	08/10	08/13	08/14
CME - (CLASS III) MILK FUTURES -- Dollars per cwt.										
JUL 01	15.40 (2862) 0	15.40 (2733) 0	15.46							
AUG 01	15.35 (2905) 29	15.32 (2914) 45	15.40 (2908) 14	15.39 (2908) 9	15.37 (2908) 29	15.30 (2914) 20	15.32 (2917) 53	15.50 (2920) 4	15.50 (2921) 9	15.50 (2922) 1
SEP 01	15.38 (2975) 46	15.27 (2976) 42	15.35 (2984) 29	15.25 (2984) 15	15.01 (2992) 79	14.80 (2995) 12	15.02 (3050) 87	15.75 (3075) 65	15.75 (3108) 58	15.75 (3116) 11
OCT 01	14.80 (2473) 16	14.73 (2479) 15	14.70 (2485) 38	14.55 (2486) 25	14.32 (2466) 44	13.90 (2464) 67	14.15 (2494) 52	14.90 (2506) 17	14.76 (2543) 66	14.74 (2567) 63
NOV 01	13.80 (1874) 16	13.75 (1881) 22	13.70 (1880) 23	13.50 (1880) 35	13.30 (1876) 44	12.95 (1883) 43	13.15 (1887) 59	13.80 (1891) 29	13.74 (1916) 38	13.74 (1940) 61
DEC 01	13.32 (1580) 12	13.24 (1588) 18	13.15 (1588) 4	13.00 (1591) 19	12.75 (1588) 35	12.45 (1592) 30	12.65 (1607) 32	13.40 (1615) 15	13.25 (1619) 15	13.21 (1607) 40
JAN 02	12.13 (485) 15	12.13 (484) 19	12.13 (485) 10	12.06 (497) 24	12.05 (510) 34	12.01 (514) 13	12.04 (518) 9	12.20 (516) 2	12.18 (517) 2	12.10 (518) 2
FEB 02	11.99 (356) 35	12.00 (350) 20	12.00 (350) 2	11.99 (365) 31	12.00 (370) 8	11.95 (380) 15	11.91 (394) 15	11.99 (395) 2	11.95 (397) 2	11.90 (398) 7
MAR 02	11.99 (278) 43	12.00 (278) 18	11.98 (279) 1	11.95 (291) 16	12.00 (299) 13	11.91 (311) 16	11.89 (311) 6	11.99 (311) 2	11.99 (312) 3	11.96 (319) 12
APR 02	11.99 (191) 32	12.00 (198) 18	12.00 (199) 1	11.99 (201) 3	12.00 (211) 14	11.91 (213) 8	11.85 (216) 5	11.95 (216) 0	11.95 (218) 3	11.91 (221) 6
MAY 02	11.84 (134) 14	11.84 (141) 16	11.90 (147) 8	11.84 (148) 2	11.90 (153) 5	11.89 (154) 1	11.88 (157) 4	11.99 (158) 2	11.90 (160) 2	11.81 (162) 7
JUN 02	11.76 (90) 1	11.85 (102) 22	11.86 (102) 1	11.86 (108) 7	11.90 (113) 9	11.85 (113) 2	11.84 (113) 4	11.85 (113) 1	11.80 (113) 0	11.80 (118) 6
JUL 02	12.20 (26) 2	12.20 (31) 5	12.20 (41) 10	12.15 (43) 2	12.19 (43) 0	12.19 (46) 3	12.10 (48) 2	12.15 (48) 0	12.15 (48) 0	12.15 (49) 6
AUG 02	12.60 (18) 3	12.50 (23) 5	12.50 (34) 11	12.40 (34) 0	12.40 (34) 0	12.40 (36) 2	12.35 (36) 0	12.35 (36) 0	12.35 (36) 0	12.35 (38) 2
SEP 02	13.00 (18) 2	12.99 (23) 5	12.99 (23) 0	12.65 (24) 1	12.50 (24) 0	12.50 (25) 6	12.50 (25) 0	12.50 (25) 0	12.50 (25) 0	12.50 (26) 2
CME - CLASS IV MILK FUTURES - Dollars per cwt.										
JUL 01	14.75 (361) 0	14.75 (360) 0	14.81							
AUG 01	14.65 (325) 0	14.65 (325) 0	14.65 (325) 0	14.65 (325) 3	14.75 (315) 16	14.90 (315) 0	14.90 (315) 5	15.00 (315) 0	15.00 (315) 0	15.00 (315) 0
SEP 01	14.50 (282) 2	14.52 (282) 2	14.54 (282) 0	14.54 (282) 0	14.75 (282) 0	14.80 (282) 0	14.90 (283) 1	14.90 (283) 0	15.00 (283) 0	15.00 (293) 13
OCT 01	14.30 (354) 2	14.32 (354) 3	14.35 (354) 0	14.35 (354) 0	14.40 (354) 0	14.40 (354) 0	14.40 (354) 0	14.50 (354) 0	14.65 (354) 0	14.75 (354) 4
NOV 01	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	13.90 (244) 0	14.00 (244) 0	14.10 (250) 10	14.25 (260) 0
DEC 01	13.11 (131) 0	13.12 (131) 0	13.12 (131) 0	13.20 (131) 0	13.20 (132) 1	13.25 (132) 1	13.25 (132) 0	13.25 (132) 0	13.30 (132) 0	13.40 (141) 9
JAN 02	12.70 (26) 0	12.80 (26) 0	12.80 (26) 0	12.80 (26) 0	12.80 (26) 0	12.80 (27) 1	12.80 (28) 1	12.80 (28) 0	12.80 (28) 0	12.80 (30) 2
CME - BUTTER FUTURES -- Cents per pound										
SEP 01	195.00 (110) 0	195.00 (110) 1	190.05 (110) 0	195.05 (110) 2	197.00 (110) 2	199.00 (110) 1	199.02 (110) 0	199.02 (104) 6	203.00 (102) 2	203.00 (102) 0
OCT 01	194.00 (22) 0	194.00 (22) 1	189.00 (22) 0	194.00 (24) 2	194.00 (24) 0	196.00 (24) 0	197.00 (24) 0	197.00 (24) 0	199.05 (24) 0	199.25 (24) 0
DEC 01	160.00 (2) 0	160.00 (2) 0	160.00 (3) 1	165.00 (3) 0	165.00 (3) 0	165.00 (3) 0	165.00 (3) 0	165.00 (3) 0	166.00 (3) 0	166.50 (3) 0
MAR 02	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0	145.00 (6) 0
MAY 02	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0	147.00 (7) 0
CME - NONFAT DRY MILK FUTURES -- Cents per pound										
JUL 01	96.22 (3) 0	96.22 (3) 0	96.34							
AUG 01	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0	95.75 (5) 0
SEP 01	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0	95.00 (5) 0
OCT 01	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (9) 0	93.75 (8) 0
NOV 01	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0
DEC 01	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0	93.75 (6) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 6 - 17, 2001

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production in Western Europe continues to edge seasonally lower. Reports indicate that milk volumes are steady with last year at this time. Many milk handlers have been questioning what impact the recent foot and mouth outbreak might have on overall milk production and so far are finding that the impact is not as negative as projected. Although milk production is seasonally lower and overall milk volumes are equal to last year, many milk handlers continue to desire additional milk volumes. In most instances, they are not getting the additional milk, thus are having to adjust production schedules accordingly. Stocks of manufactured dairy products are reported to be available for both domestic and international buyer interest. At this time, most sales are centering around internal or domestic needs. Many traders continue to speculate on the slow international sales activity. Higher prices and recent European herd health concerns are considered the two leading factors in slow sales. Also, a firm Euro is adding additional pressure on prices and limiting international sales. August 15th is the final day for butter production to be available for PSA offering. Thus with the close, early offerings will become available for release.

BUTTER/BUTTEROIL: Butter markets remain firm with prices unchanged to stronger within the range. Stocks of butter continued to clear to PSA until August 15 when the program closed. Butter can continue to clear to PSA if produced on or before the 15th and offered with the near term. Reports indicate that PSA holdings are heavier than last year at this time. Most of the increased offerings are being attributed to lighter international sales. Most current butter sales activity is centering around internal needs.

82% BUTTERFAT:	1,500 - 1,630
99% BUTTERFAT:	1,600 - 1,875

SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady, although the bottom end of the range is lower. Prices at the lower end of the range are being quoted with a mixture of available refunds, while upper end prices reflect minimal if any refunds. Stocks of powder are available for both domestic and international sales. Milk production in Eastern and Western Europe is declining seasonally, but producers indicate that milk volumes are more available than previously anticipated.

1.25% BUTTERFAT:	2,000 - 2,150
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady with prices unchanged to slightly higher. A firm Euro is causing offering prices to increase which are meeting with additional buyer resistance. Stocks of powder are reported to be available should buyer interest improve. For the most part, current sales are occurring for internal or domestic needs. However, some international sales out of Eastern Europe are being reported.

26% BUTTERFAT:	1,950 - 2,025
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SWEET WHEY POWDER: Whey powder markets are generally steady. Cheese production within both Eastern and Western Europe remains very active. Stocks of whey powder are reported to be available for sales, although higher than desired prices are limiting international interest.

NONHYGROSCOPIC:	450 - 600
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EASTERN EUROPE: Milk output in Eastern Europe continues to edge seasonally lower although reports indicate that overall volumes are heavier than last year at this time. Milk processors are pleased with the additional milk offerings and generating additional product for domestic and international needs. Overall new international sales are slow. Although some whole milk powder has been sold to Northern Africa.

OCEANIA

OVERVIEW: Milk production in the Oceania region is slowly starting for the new season. In New Zealand, milk production is reported to be increasing in northern areas while in Australia, the new season is still about 3 - 4 weeks away. Weather conditions in both countries are mixed for early spring. During the winter months, New Zealand conditions were colder and dryer with these conditions continuing at this time. It is still too early to project what impact this may have on overall milk output. In Australia, especially in Victoria, temperatures are much warmer than usual for early August. Although overall milk output has not begun in the region, producers and handlers indicate that these conditions should be positive for early spring milk production patterns. New international buyer interest is slow in developing. Most trading activity that is occurring is from last season with orders being filled from inventories. Stocks are reported to be in close balance for needs with most traders indicating that they should have sufficient inventoried stocks to meet end of contract commitments. Most indicate that they have no additional stocks available for spot demand. In past years, they usually had some product left over, but this year, this is not the case. Producers and handlers in both Australia and New Zealand are very optimistic about the upcoming milk production season. New Zealand producers are hopeful to maintain the momentum of last year.

BUTTER: Oceania butter markets are generally steady with prices unchanged to slightly higher on the low end of the reported range. For the most part, stocks of butter in both Australia and New Zealand are reported to be in close balance. Producers and handlers indicate that recent spot sales to the United States have basically cleaned out any surplus butter that may have been available. Handlers feel that they will have sufficient butter stocks to meet final contract needs without having to reach into new production just getting underway.

82% BUTTERFAT:	1,375 - 1,500
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CHEDDAR CHEESE: Oceania cheese markets are generally steady with prices unchanged to slightly lower. Demand for Oceania cheese remains strong from regular and ongoing buyers. As with other manufactured dairy products, shipments are being filled from inventoried stocks. Producers and handlers feel that they will be able to fill commitments from stocks without having to reach into the new production season which is just getting under way.

39% MAXIMUM MOISTURE:	2,175 - 2,300
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SKIM MILK POWDER (SMP): Skim milk powder markets are steady to slightly weaker. Stocks of powder are reported to be sufficient to meet commitments with very little, if any, available for spot sales. Some producers and handlers are monitoring their inventories very closely as shipments for the 2000 - 2001 season near an end. A few traders are indicating that they may have to reach into new production to fill all needs, but feel that the volumes should not be significant. New buyer interest for the upcoming production season is slowly developing.

1.25% BUTTERFAT:	2,050 - 2,125
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WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to slightly weaker. Stocks of powder are reported to be in close balance for final shipments under contract for the 2000 - 2001 season. Producers and handlers state that there is no powder available for spot sales which is usually not the case at the end of a sales year. At this point, no significant new sales are being reported as the new milk production season resumes.

26% BUTTERFAT:	2,000 - 2,100
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Exchange rates for selected foreign currencies: AUGUST 13, 2001

.4072 Dutch Guilder	.4588 German Mark
.1368 French Franc	.4283 New Zealand Dollar
.1098 Mexican Peso	.5174 Australian Dollar
1.4213 British Pound	.0082 Japanese Yen
.2361 Polish Zloty	.8974 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1098) = 9.1075.
That is 1 US Dollar equals 9.1075 Mexican Pesos.
Source: "Wall Street Journal"

AUGUST MILK SUPPLY AND DEMAND ESTIMATES*

Milk production growth continues to be hampered by slow recovery in milk per cow and the lack of available heifers to expand dairy herds. However, high milk prices are expected to slow the rate of decline in cow numbers in 2001/02. Thus, although milk production forecast for 2000/01 is little changed from last month, the production forecast for 2001/02 is increased slightly. Milk production likely will remain below year-earlier levels through the end of 2000/01 but is forecast to increase about 3 percent in 2001/02. Continued tight milk supplies are expected to provide additional support to prices but weak nonfat dry milk prices have been pressuring Class IV prices. The forecast 2000/01 Class III price is raised slightly from last month but the Class IV price forecast is reduced. Higher milk production is expected to result in lower prices in 2001/02. The 2001/02 forecast Class III price range is reduced from last month to \$11.75-\$12.65 per cwt. and the Class IV price range is lowered to \$12.10-\$13.20 per cwt. The all-milk price is forecast to be \$14.40-\$14.50 per cwt. in 2000/01 and \$13.50-\$14.40 per cwt. in 2001/02.

Item	1999/00 1/	2000/01 Projection 1/		2001/02 Projection 1/	
		July	August	July	August
SUPPLY		BILLION POUNDS			
BEGINNING COMMERCIAL STOCKS 2/	7.4	8.9	8.9	7.7	7.7
PRODUCTION	167.4	165.3	165.3	169.1	169.3
FARM USE	1.3	1.3	1.3	1.2	1.2
MARKETINGS	166.1	164.1	164.1	167.9	168.1
IMPORTS 2/	4.6	4.7	5.2	4.7	4.7
TOTAL COMMERCIAL SUPPLY 2/	178.2	177.7	178.2	180.3	180.5
USE					
COMMERCIAL USE 2/ 3/	168.5	169.7	170.2	172.1	172.3
ENDING COMMERCIAL STOCKS 2/	8.9	7.7	7.7	8.0	8.0
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.8	0.3	0.3	0.2	0.2
SKIM SOLIDS BASIS 4/	8.5	6.7	6.7	2.1	2.1
		DOLLARS PER CWT.			
MILK PRICES 5/					
BASIC FORMULA/CLASS III PRICE 6/	9.99	12.10-12.20	12.15-12.25	11.95-12.85	11.75-12.65
CLASS IV 7/	11.51	13.70-13.90	13.65-13.85	12.20-13.30	12.10-13.20
ALL MILK 8/	12.61	14.40-14.50	14.40-14.50	13.65-14.55	13.50-14.40
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS 4/					
BUTTER	11	0	0	5	5
CHEESE	17	16	16	6	6
NONFAT DRY MILK	690	560	560	175	175
DRY WHOLE MILK	34	3	3	0	0
	QUARTERLY 9/			ANNUAL 9/	
	2001 III	2001 IV	2002 I	2001	2002
	BILLION POUNDS				
	40.7	41.1	42.5	165.7	170.2
	DOLLARS PER CWT.				
ALL MILK PRICE 5/ 8/	16.25-16.55	15.95-16.55	13.45-14.35	15.25-15.45	13.00-14.00
CLASS III PRICE 5/ 6/	15.25-15.55	13.90-14.50	11.50-12.40	13.35-13.55	11.30-12.30
CLASS IV PRICE 5/ 7/	14.50-14.80	13.85-14.45	11.65-12.55	14.00-14.20	11.75-12.75

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Basic Formula Price (BFP) through December 31, 1999; Federal milk order Class III price beginning January 1, 2000. 7/ Federal milk order Class IV price. 8/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 9/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-377, World Agricultural Outlook Board, USDA, August 10, 2001.

JUNE FLUID MILK SALES

During June, about 4.1 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 0.1 percent higher than June 2000. On an individual product basis, sales of reduced fat (2%) milk and low fat (1%) milk increased from June 2000, while sales of whole milk, fat-free (skim) milk and buttermilk decreased from a year earlier. The data for both years have been adjusted for calendar composition.

Editor's Note: This data also can be found at www.ams.usda.gov/dairy/mmos.htm.

**PACKAGED SALES OF FLUID MILK PRODUCTS IN MARKETING AREAS DEFINED BY
FEDERAL MILK ORDERS AND CALIFORNIA, JUNE 2001, WITH COMPARISONS ^{1/}**

Product Name/ Marketing Area (Order Number) ^{2/}	Sales		Change from: ^{3/}	
	Jun	Year to date	Previous Year	Year to Date
	Mil.lbs		Percent	
Whole Milk ^{4/}	1,484	9,003	-1.0	-1.2
Reduced Fat Milk (2%)	1,321	8,097	0.8	0.5
Low Fat Milk (1%) ^{5/}	578	4,191	1.9	0.8
Fat-Free Milk (Skim)	631	3,886	-0.4	-2.1
Buttermilk	46	280	-3.4	-4.6
Total Fluid Milk Products ^{2/}	4,069	25,501	0.1	-0.5
Northeast (001)	787	4,867	1.6	-0.1
Appalachian (005)	274	1,722	-3.1	-2.8
Southeast (007)	394	2,453	1.4	-0.2
Florida (006)	221	1,421	1.6	0.9
Mideast (033)	499	3,177	-3.2	-4.0
Upper Midwest (030)	341	2,170	0.5	-0.2
Central (032)	359	2,306	0.2	1.2
Southwest (126)	325	2,059	-0.4	0.3
Arizona-Las Vegas (131)	98	611	2.3	2.8
Western (135)	69	439	-1.9	-1.1
Pacific Northwest (124)	175	1,082	2.0	0.8
California (---)	526	3,195	0.5	-0.2

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, and represent approximately 93 percent of total fluid milk sales in the United States. ^{2/} Sales by product are for all marketing areas combined. Individual marketing area data is for total fluid milk products. Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{3/} Percent changes have been adjusted for calendar composition. ^{4/} Includes flavored whole milk. ^{5/} Includes flavored fat-reduced milk.

SOURCE: Monthly summaries of *Federal Milk Order Market Statistics*, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

JULY MILK PRODUCTION

Milk production in the 20 major States during July totaled 12.1 billion pounds, down 1.2 percent from July 2000. June revised production, at 12.1 billion pounds, was down 0.2 percent from June 2000. The June revision represented an increase of 0.3 percent or 34 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,555 pounds for July, 6 pounds below July 2000.

The number of cows on farms in the 20 major States was 7.75 million head, 72,000 head less than July 2000, but unchanged from June 2001.

JULY 2001 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2000	2001	2000	2001	2000	2001	% CHANGE FROM 2000
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	140	140	1,735	1,740	243	244	0.4
CA	1,525	1,590	1,825	1,775	2,783	2,822	1.4
FL	157	154	1,210	1,250	190	193	1.6
ID	355	376	1,820	1,850	646	696	7.7
IL	120	115	1,430	1,405	172	162	-5.8
IN	145	154	1,364	1,405	198	216	9.1
IA	215	208	1,540	1,475	331	307	-7.3
KY	133	130	1,015	1,060	135	138	2.2
MI	302	303	1,620	1,615	489	489	---
MN	535	510	1,455	1,425	778	727	-6.6
MO	154	146	1,210	1,055	186	154	-17.2
NM	252	265	1,730	1,790	436	474	8.7
NY	685	673	1,490	1,510	1,021	1,016	-0.5
OH	263	258	1,420	1,420	373	366	-1.9
PA	619	600	1,500	1,510	929	906	-2.5
TX	349	322	1,235	1,210	431	390	-9.5
VT	160	152	1,475	1,495	236	227	-3.8
VA	120	118	1,265	1,270	152	150	-1.3
WA	247	247	1,965	1,955	485	483	-0.4
WI	1,345	1,288	1,480	1,470	1,991	1,893	-4.9
20 STATE TOTAL	7,821	7,749	1,561	1,555	12,205	12,053	-1.2

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (8-01), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 13 - 17, 2001			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/00	SAME PERIOD LAST YEAR	WEEK ENDING 08/10/01	SAME PERIOD LAST YEAR
<u>BUTTER</u>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>CHEESE</u>							
Block	-0-	-0-	-0-	3,050,083	1,162,919	-0-	-0-
Barrel	-0-	-0-	-0-	4,025,276	-0-	-0-	-0-
Process	-0-	-0-	-0-	3,999,600	5,583,600	-0-	-0-
TOTAL	-0-	-0-	-0-	11,074,959	6,746,519	-0-	-0-
<u>NONFAT DRY MILK</u>							
Nonfortified	1,547,066	-0-	1,547,066	369,878,595	432,798,246	598,942,000\$	-0-
Fortified	-0-	-0-	-0-	28,151,091	10,587,017	38,227,000	-0-
TOTAL	1,547,066	-0-	1,547,066	398,029,686	443,385,263	637,169,000\$\$	-0-

#Although an uncommitted inventory of NDM has continued to exist for some time, it has not been reported due to CCC's efforts to utilize all NDM purchased under price support. Last week should have been \$598,016,000 and \$636,243,000.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 13 - 17, 2001 =	0.3	18.0	COMPARABLE WEEK IN 2000 =	1.5	79.6
CUMULATIVE SINCE OCTOBER 1, 2000 =	189.8	4,742.7	CUMULATIVE SAME PERIOD LAST YEAR =	159.8	5,227.8
CUMULATIVE JANUARY 1 - AUGUST 17, 2001 =	73.3	3,260.1	COMPARABLE CALENDAR YEAR 2000 =	148.6	4,634.7

* Factors used for Fat Solids Basis Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 13 - 17, 2001 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	1,547,066	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/00 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00
MIDWEST	-0-	-0-	5,995,440	6,665,991	6,677,037	45,064,658	29.9	44.7
WEST	-0-	-0-	5,039,919	80,528	391,352,649	393,380,345	69.9	54.6
EAST	-0-	-0-	39,600	-0-	-0-	4,940,260	0.2	0.7
TOTAL	-0-	-0-	11,074,959	6,746,519	398,029,686	443,385,263	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 07/28/01 & Comparable Week 2000

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2001-Dairy	0.2	0.7	5.0	4.8	14.7	2.2	1.6	0.6	9.7	2.4	41.8	1,500.6	41.7	46.6
2000-Dairy	0.2	0.9	5.5	4.9	18.6	2.3	0.9	0.8	9.1	2.8	45.9	1,488.7	49.9	48.8
2001-All cows	0.2	0.8	6.7	13.9	25.1	14.0	16.7	4.1	13.0	5.8	100.3	3,218.5		
2000-All cows	0.2	1.1	7.4	13.2	26.1	12.2	11.5	3.4	11.9	5.0	92.0	3,052.9		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000) AND BFP (1998-99) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10	16.04	16.84	17.34
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37

FEDERAL MILK ORDER CLASS PRICES FOR 2001 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.99	11.94	12.65	13.44	14.21	14.99	15.34	15.40				
II	12.82	13.43	14.17	15.10	15.72	16.05	15.96					
III	9.99	10.27	11.42	12.06	13.83	15.02	15.46					
IV	12.13	12.70	13.46	14.41	15.04	15.33	14.81					

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dairy/mib/class_prod_milk_comp_pr.htm